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REVENUE REVIEW

Quarterly
Revenue Report
for the
State of
Michigan

FEBRUARY 2002

TOTAL REVENUE: 13 MAJOR TAXES AND LOTTERY

<u>1st Qtr FY 2000-01</u>	<u>1st Qtr FY 2001-</u>	<u>1st Qtr % Change</u>	<u>YTD %</u>
\$5,222.5 million	\$5,170.9 million	-1.0%	-1.0%

Revenue collections for first quarter (November–January) fiscal year (FY) 2001-02 were \$51.6 million or 1.0% lower than first quarter FY 2000-01 collections. This decline was an improvement from the 3.4% decline posted in FY 2000-01.

INCOME TAX (NET)

<u>1st Qtr FY 2000-01</u>	<u>1st Qtr FY 2001-</u>	<u>1st Qtr % Change</u>	<u>YTD %</u>
\$2,014.8 million	\$1,886.8 million	-6.4%	-6.4%

Income tax revenue consists of three components—withholding, annual payments, and quarterly payments. Withholding payments are based on workers' earnings and make up almost 80% of total income tax collections. Annual and quarterly payments are based on self-employment earnings and other income sources, such as capital gains.

Net income tax collections, which include income tax refunds, for first quarter FY 2001-02 were \$128.1 million or 6.4% lower than first quarter FY 2000-01 collections. Withholding payments were down 3.2%, quarterly payments decreased 19.0%, annual payments were up 8.1%, and refunds were up 20.7%.

SALES AND USE TAXES

<u>1st Qtr FY 2000-01</u>	<u>1st Qtr FY 2001-</u>	<u>1st Qtr % Change</u>	<u>YTD %</u>
\$1,922.1 million	\$2,053.3 million	6.8%	6.8%

Sales tax collections are derived from the sale of taxable items such as motor vehicles, furniture, apparel, food consumed at restaurants, and other general merchandise. The Use tax is applied to telephone services, leased motor vehicles, hotels and motels, gas and electric utilities, and remote sales.

Sales and Use tax collections for first quarter FY 2001-02 were \$131.2 million or 6.8% higher than the year-ago quarter. Sales tax due to motor vehicle sales increased 38.3% while all other sales tax collections were down 1.1% in the first quarter FY 2001-02 relative to the year-ago first quarter.

SINGLE BUSINESS AND INSURANCE TAXES

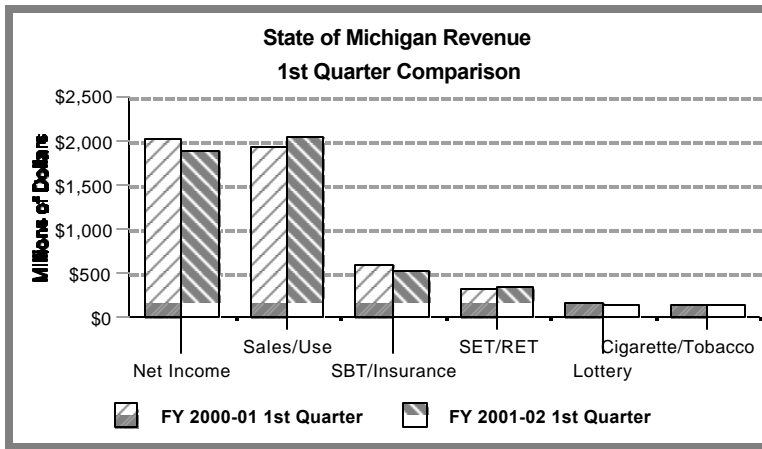
<u>1st Qtr FY 2000-01</u>	<u>1st Qtr FY 2001-</u>	<u>1st Qtr % Change</u>	<u>YTD %</u>
\$591.1 million	\$527.5 million	-10.8%	-10.8%

Single Business and Insurance taxes are applied to the value added of business activities. For first quarter FY 2001-02, Single Business and Insurance tax collections were \$63.6 million or 10.8% below the year-ago first quarter.

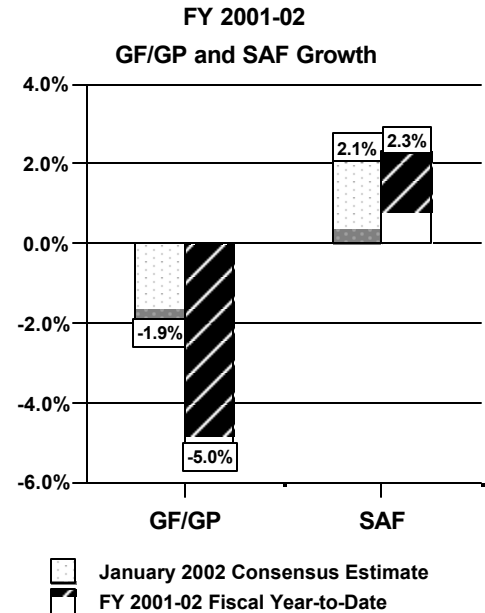
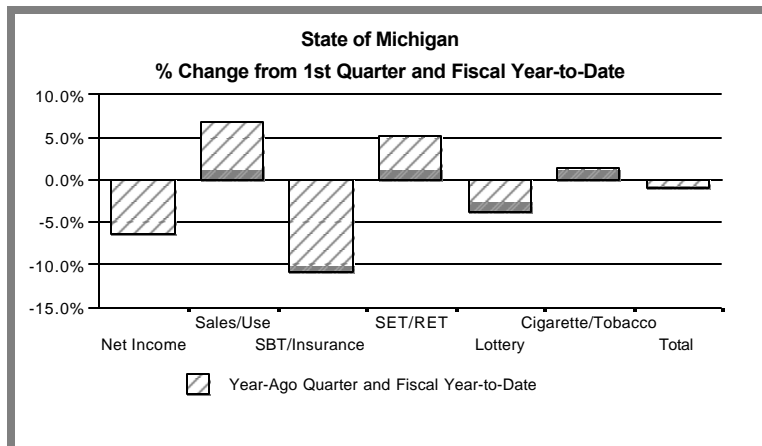
OTHER REVENUE

<u>1st Qtr FY 2000-01</u>	<u>1st Qtr FY 2001-</u>	<u>1st Qtr % Change</u>	<u>YTD</u>
\$694.5 million	\$703.4 million	1.3%	1.3%

Other revenue—which includes primarily the State Education Tax (SET), the Real Estate Transfer (RET) tax, the Cigarette/Tobacco tax, and revenue from the Lottery—for first quarter FY 2001-02 was up \$8.9 million or 1.3% from the first quarter of FY 2000-01.



**Robust 8.9% revenue growth
in December was offset
by a 7.8% decline
in January.
Revenue growth to date is still
on target at this point.**



Revenue Quarterly Review: 1st Quarter (November–January) FY 2001-02 (Millions of Dollars)						
Revenue	FY 2001-02		FY 2001-02 Year-to-Date	Change From Previous Fiscal Year- to-Date		FY 2001-02 Jan Consensus Forecast Growth
	1st Qtr	Percent Change From Year-Ago 1st Qtr		Dollar	Percent	
Annual Income Tax	\$22.8	8.1%	\$22.8	\$1.7	8.1%	-0.7%
Quarterly Income Tax	232.2	-19.0%	232.2	(54.5)	-19.0%	-0.6%
Withholding	1,737.5	-3.2%	1,737.5	(57.1)	-3.2%	0.3%
..... Subtotal	1,992.5	-5.2%	1,992.5	(109.9)	-5.2%	0.1%
Income Tax Refunds	105.7	20.7%	105.7	18.1	20.7%	4.2%
..... Net Income Tax	1,886.8	-6.4%	1,886.8	(128.1)	-6.4%	-0.7%
Sales Tax	1,679.9	3.6%	1,679.9	57.7	3.6%	2.7%
Use Tax	373.4	24.5%	373.4	73.4	24.5%	5.4%
..... Subtotal	2,053.3	6.8%	2,053.3	131.2	6.8%	3.2%
Single Business Tax	487.8	-11.3%	487.8	(62.0)	-11.3%	-6.1%
Insurance Tax	39.7	-3.9%	39.7	(1.6)	-3.9%	6.6%
..... Subtotal	527.5	-10.8%	527.5	(63.6)	-10.8%	-5.0%
Inheritance/Estate Tax	43.2	0.2%	43.2	0.1	0.2%	-18.3%
Cigarette/Tobacco Tax	149.1	1.4%	149.1	2.1	1.4%	-2.0%
Lottery	149.5	-3.8%	149.5	(6.0)	-3.8%	-2.9%
Industrial/CommFacility Taxes	21.7	-16.0%	21.7	(4.1)	-16.0%	1.3%
Real Estate Transfer (RET) Tax	58.3	-10.4%	58.3	(6.7)	-10.4%	-0.8%
State Education Tax (SET)	281.6	9.1%	281.6	23.5	9.1%	3.9%
..... Subtotal	703.4	1.3%	703.4	8.9	1.3%	0.0%
TOTAL	\$5,170.9	-1.0%	\$5,170.9	(51.6)	-1.0%	0.4%

NOTE: Consensus revenue figures reflect enacted tax changes. All revenue, except for Lottery, is on an accrual basis and begins with November collections.

